Kortney Brown
Vice President

Key Community Development
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Via Email

September 13, 2022

Muammar Hermanstyne
Director, Real Estate Development
Africatown Community Land Trust
1437 S Jackson Pl
Seattle, WA 98144

RE: Yesler Apartments

Dear Muammar:

This letter is to provide preliminary equity interest from Key Community Development Corporation ("KCDC") for Yesler Apartments ("Project"), a proposed mixed- use LIHTC, multifamily community which will provide 238-units of affordable family low-income housing and an early childhood learning center located in Seattle, WA.

We may invest in this Project directly or through an affiliate. When we refer to "KCDC" through this letter of interest, we mean Key Community Development Corporation and its affiliates.

Described below are the basic terms, conditions and assumption of this preliminary letter of interest:

- The Project will be a 238- unit housing development containing studio/ one/ two-bedroom units. All units will be set aside for individuals or families with incomes that range between 50% and 60% of Area Median Income.

- The Project will be owned by TBD LLC. Africatown Community Land Trust ("ACLT") will own the Managing Member. The Investor Member will be KCDC.

- KCDC proposes to be the Federal Low Income Housing tax credit investor with an equity investment of $55,630,636 which represents a price of $.95 based upon an annual allocation of Federal low income housing tax credits of approximately $5,856,442. KCDC's proposed equity pay in schedule is as follows:

    - 5% at Closing
    - 25% at Construction Completion; and
    - 70% at Conversion and Final Cost Certification

    The final timing and amounts of equity payments at closing and during construction will be agreed upon by KCDC and the Managing Member prior to closing.

- **Developer Fee-** The current projections include a developer fee in the amount of $11,514,168.

- **Reserves-** The Investor Member will require the following reserves:

    - Operating Reserve: $696,393
    - Replacement Reserves: $350 PUPY (escalating at 3% annually)

- **Other Funds**: KCDC acknowledges amounts and terms of other anticipated sources of project financing are to include the following estimates amounts:
    - Acquisition pre-dev Loans: $4,209,338
    - Construction Loan: $66,771,042
    - Permanent Loan: $24,505,676
    - Seattle Office of Housing: $19,914,097
    - State Housing Trust Fund: $19,351,119
    - CPF (Federal): $1,000,000
    - Deferred Developer Fee: $8,081,264

- **Guaranties and Adjustors-** KCDC will require guarantors acceptable to KCDC in its sole discretion to provide the following guarantees: (i) Construction Completion; (ii) Permanent Loan Shortfall; (iii) Operating Deficit Guarantees; (iv) Tax Credit Adjuster Guarantees; (v) Real Estate Tax Abatement Guaranty; and (vi) Social Services Guaranty, if applicable. Guarantor shall also be obligated to repurchase KCDC's interest if the project fails to meet basic tax credit benchmarks and provide a guaranty of the Managing Member's obligations as negotiated in the Operating Agreement. The project's Operating Agreement will include adjustors to the Investor Member's capital contributions if there is a change in the agreed upon amounts of total projected tax credits or projected first year credits.

- **Fees-**The following fees shall be paid to KCDC:

    - Due Diligence Fee: To cover KCDC legal fees and due diligence in the amount of $75,000 payable at closing.
    - Asset Management Fee: Payable to KCDC for asset management services in the amount of $17,850, commencing at closing and continuing until disposition, payable as a first priority cash flow item
    - Tenant File Review Fee: $40 per file to cover third party and internal costs of initial file review.

The 15-year pro forma was prepared by the ACLT for the Project. The pro forma is consistent with the unit rental rate assumptions, total operating expenses, net operating income, and debt service coverage based on KCDC's current underwriting parameters and is preliminarily considered feasible, pending further due diligence review. Loan terms are based on ACLT's projections and may be modified. The debt service for each year shall maintain no less than 1.15 debt coverage ratio.

Additionally, KCDC has conducted a preliminary review of the credit worthiness of ACLT as Owner. Based on the limited information provided by the ACLT, KCDC has no reservations with the ACLT as Owner. A final determination of our investment will depend upon confirmation of the project's assumptions; a full underwriting of the Yesler Apartments, the development team and their financial statements; the review of plans and specifications; the commitment for all other sources of financing; the development schedule; review of due diligence materials; successful negotiation of the partnership/ operating agreement and approval by KCDC's investment committee and credit committee.

Sincerely,

Kortney Brown

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Vice President
Key Community Development Corporation